

HOUSING REQUIREMENT PROJECTIONS FOR ONTARIO

1986 - 2001

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HIGHLIGHTS

- Over the entire period 1986-2001, total housing requirements are projected to average 72,500 units per year.
- Housing requirements are expected to be highest during the 1986-1991 period, at about 89,400 units per year. These requirements consist of approximately 32,200 rental (36%) and 57,100 (64%) ownership units. Requirements decline to 60,000 per annum for 1996-2001 with a 30/70 rental/ownership split.
- Approximately 45 per cent of all rental requirements over the 1986-2001 period will be needed during the 1986-1991 period. By way of contrast, 40 per cent of all ownership units will be required during this period.
- The study period is marked by a gradual shift from rental to ownership tenure. Largely reflecting the population age structure, by 2001, about 70 per cent of housing requirements will be ownership units. In part, this shift likely represents a lifestyle decision by some renters to switch to condominiums and would include some consideration of the relative affordability of condominiums compared to other forms of ownership housing. As well, more seniors in single-family homes are likely to remain in the ownership sector by purchasing condominiums.
- Ontario's population is expected to grow by 20 per cent over the study period, 1986-2001. The largest projected increase (8.6%) occurs between 1986 and 1991. The high rate of growth decreases in successive five-year periods.
- Recent high levels of net migration -- particularly net international migration -- have contributed significantly to Ontario's population growth. This substantial net migration has intensified the demand for housing in Ontario.
- Net migration is expected to be an increasing component of population growth, rising to about 52 per cent of population growth from 1986-1991 before declining slightly to 47 per cent between 1991 and 1996. By contrast, for 1981-1986, net migration was responsible for about 45 per cent of Ontario's population growth.
- Over the study period, household growth of 30 per cent exceeds population growth (20%).
- As of 1986, the number of additional units required to meet deferred demand (the number of households that would have formed had market conditions remained as in 1981) was estimated at 57,000.

SECTION I: Population Projections, 1986-2001

Significant increase in Ontario's population (Chart 1)

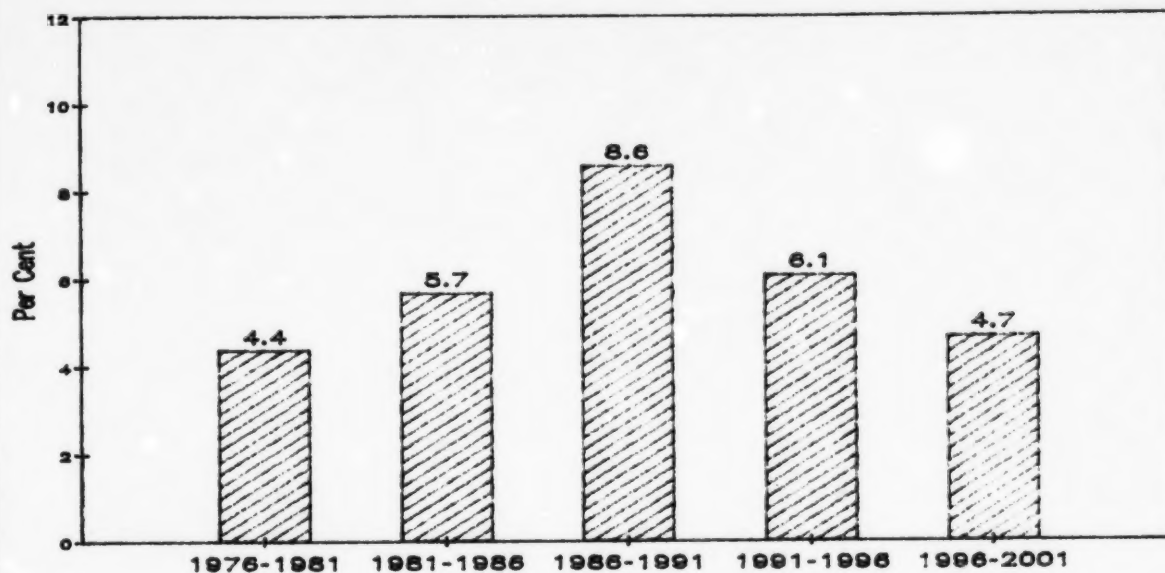
- Over the next 15 years, Ontario's population is projected to grow by more than 1.75 million, reaching almost 11 million by 2001.* This represents an increase of 20 per cent over the 1986 population of 9.1 million.
- The largest absolute increase (779,000) occurs between 1986 and 1991, when the population is expected to grow by 8.6 per cent. By contrast, Ontario's population grew by 5.7 per cent between 1981 and 1986.
- The rate of growth is expected to decline in the following five-year periods. Net population growth will slow to less than 5 per cent (500,000) in the years 1996-2001.

Baby-boomers approaching middle-age (Chart 2)

- As a consequence of the aging of the baby-boom generation (those persons born between 1946 and 1966), the 25-44 age group has experienced substantial growth. This principal household-forming age group is expected to increase by 14 per cent between 1986 and 1991. By 1991, it will include the last "baby boomers".
- However, during the 1991-1996 period, the rate of growth in this group is projected to drop markedly to about 3 per cent -- less than one-quarter current levels. Accordingly, pressures on housing markets are expected to lessen. The 25-44 age group actually declines in absolute terms over the period 1996-2001.
- Most of Ontario's population growth, beginning in the early 1990's, will occur in the 45-64 and the 65-and-over age groups. Between 1986 and 2001, the combined population in these categories will increase by almost 70 per cent. By 2001, they will represent 37.5 per cent of Ontario's total population. (In 1981, they accounted for 30 per cent.)
- Chart 2 also shows the baby boom "echo" effect as seen by the increase in the 0-14 age group after 1986. This trend will not affect household formation until the turn of the century.

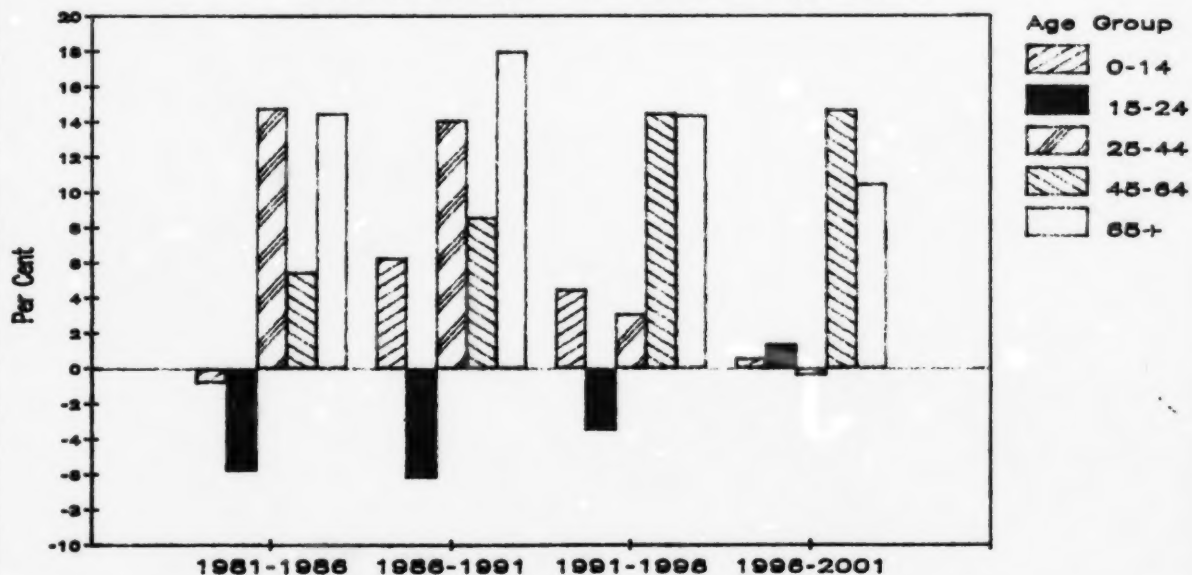
* For explanatory notes on assumptions and methodology concerning the population projections and housing requirements, see Background Notes.

CHART 1
Population Growth in Ontario
Per Cent Change from Previous Five Years



Source: Statistics Canada Census, Treasury and Economics

CHART 2
Rate of Growth in Population by Age Group
Per Cent Change from Previous Five Years



Source: Statistics Canada Census, Treasury and Economics

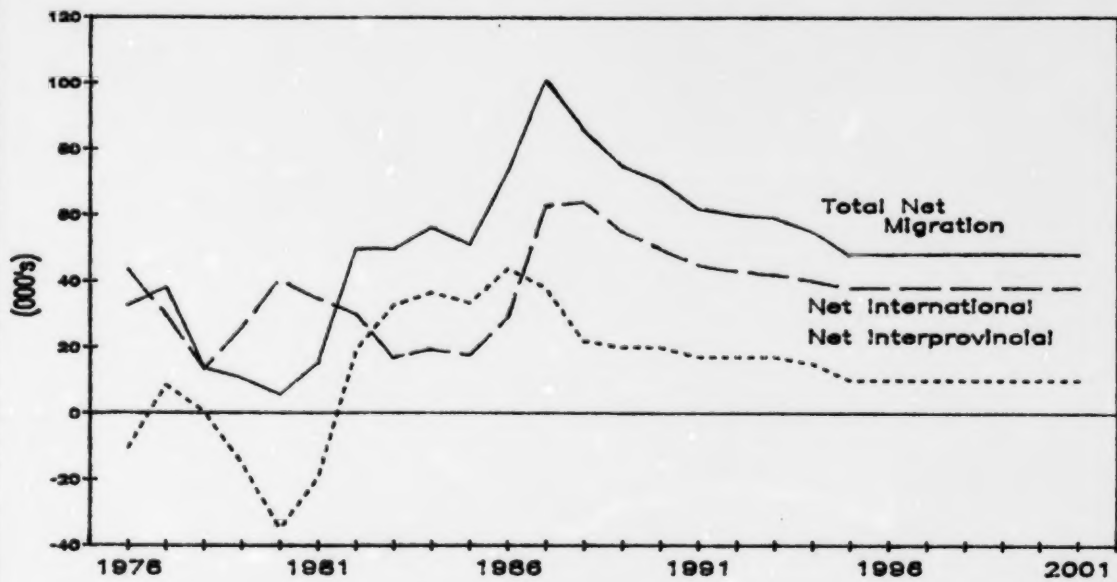
High levels of net international migration (Chart 3)

- Net migration, consisting primarily of two net in-flows -- net inter-provincial and net international migration, has contributed significantly to Ontario's population growth in recent years. In particular, for the two years 1986-1987 and 1987-1988, net migration averaged about 93,000 each year, almost double the net migration levels of the early 1980's.
- For the decade 1986-1996, net migration is assumed to average close to 70,000 annually. It is expected to return to more historical levels, declining steadily over the decade to about 48,000 by 1996 and remaining at that level to the turn of the century.
- Net inter-provincial migration has been higher recently than in the past, but it is net international migration which has been the driving force behind the substantial increase in net migration to Ontario.
- Net international migration which reached 62,600 in 1987 and 64,000 in 1988 (estimated) is projected to average close to 47,000 annually over the 1986-1996 period. By way of contrast, in the post-recession year of 1983, only about 18,000 came to Ontario.
- Historically, about 50 per cent of all Canadian immigrants come to Ontario. This percentage increased in 1987 to about 56 per cent. Both Treasury and Federal government staff expect this higher proportion to continue over the next few years.

Increased migration intensifies housing demand (Chart 4)

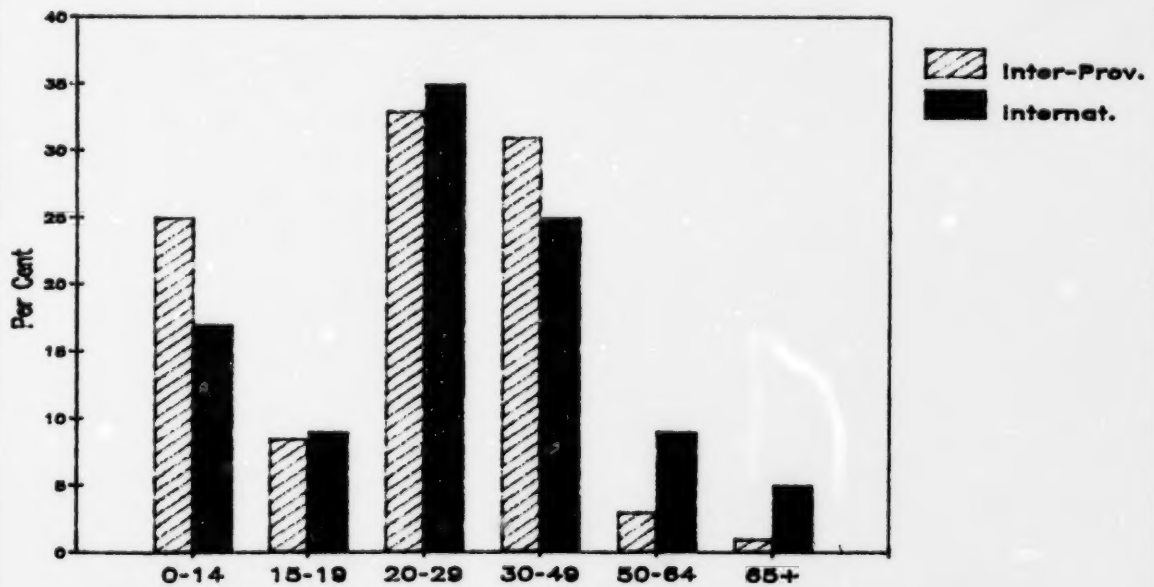
- In 1986, about one-third of net migrants to Ontario were between 20 and 29 years of age. Another one-third were in the 30-49 age group. The younger age category, traditionally, is a key group in terms of rental housing, while the latter age group includes most first and second-time homebuyers.
- The heavy net migration has added substantially to housing demand and has intensified the growth of Ontario's population aged 25-44.
- Net migration is expected to be an increasing component of population growth, rising to 52 per cent of population growth 1986-1991 before declining slightly to 47 per cent between 1991 and 1996. By way of contrast, for 1976-1981, net migration was responsible for 23 per cent of Ontario's population growth.

CHART 3
Net Migration to Ontario



Source: Statistics Canada, Ministry of Treasury and Economics

CHART 4
Net Migration to Ontario in 1986
Per Cent Distribution by Age



Source: Treasury and Economics

SECTION II: Housing Requirements to 2001

Household growth strongest 1986-1991 (Chart 5)

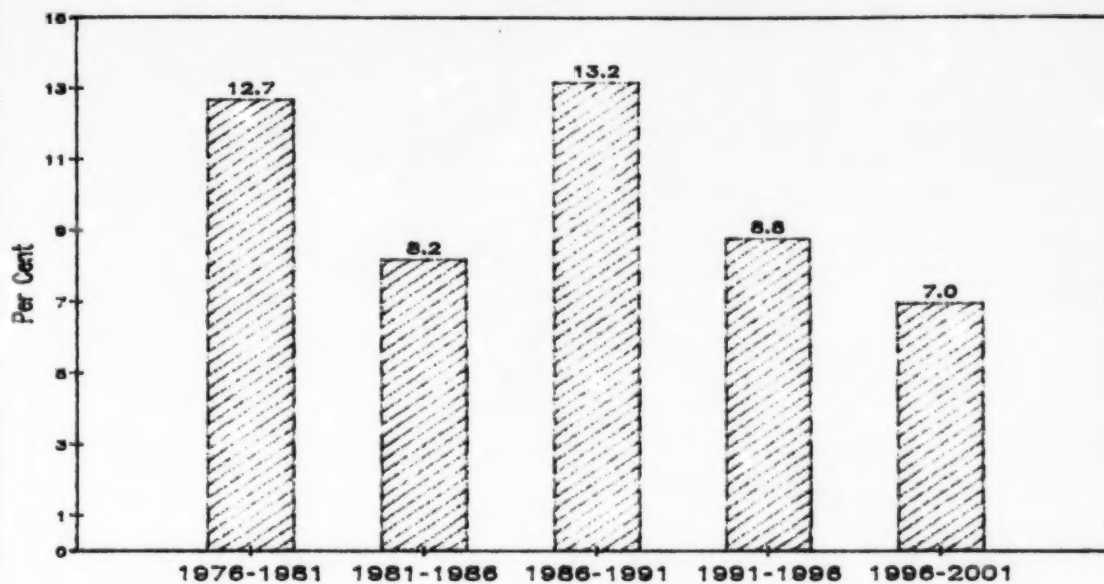
- Total households are projected to surpass the 4 million mark by 2001, representing an increase of slightly more than 30 per cent over 1986. The annual average increase of 68,000 from 1986 to the end of the century is well above the 58,000 average experienced between 1976 and 1986.
- The relatively greater increase in households (30%) compared to the population (20%), over the study period, reflects several factors. For example, the strong growth in net migration has relatively greater impact on household formation growth (an addition to a smaller absolute number) than on population growth where it is added to a larger pool. Total population includes age groups such as the 0-14 age group which is not a household-formation group and, accordingly, is excluded from the latter.
- As well, the proportion of Ontario's population forming households is expected to increase over the period, reaching 38 per cent in 1996 and only marginally higher by the year 2001, as compared to 35 per cent in 1986 and 34 in 1981.

Housing requirements strongest 1986-1991 (Chart 6)

- Given the population projections as outlined in Section I, the largest portion of housing requirements for the 1986-2001 period are expected for the first five years. As seen in Chart 6 (and at the bottom of the attached tables), total average annual requirements are highest at 89,400 units between 1986 and 1991.*
- Approximately 45 per cent of all rental housing requirements over the study period, will be required between 1986 and 1991. In contrast, 40 per cent of all ownership units will be needed during the same period.

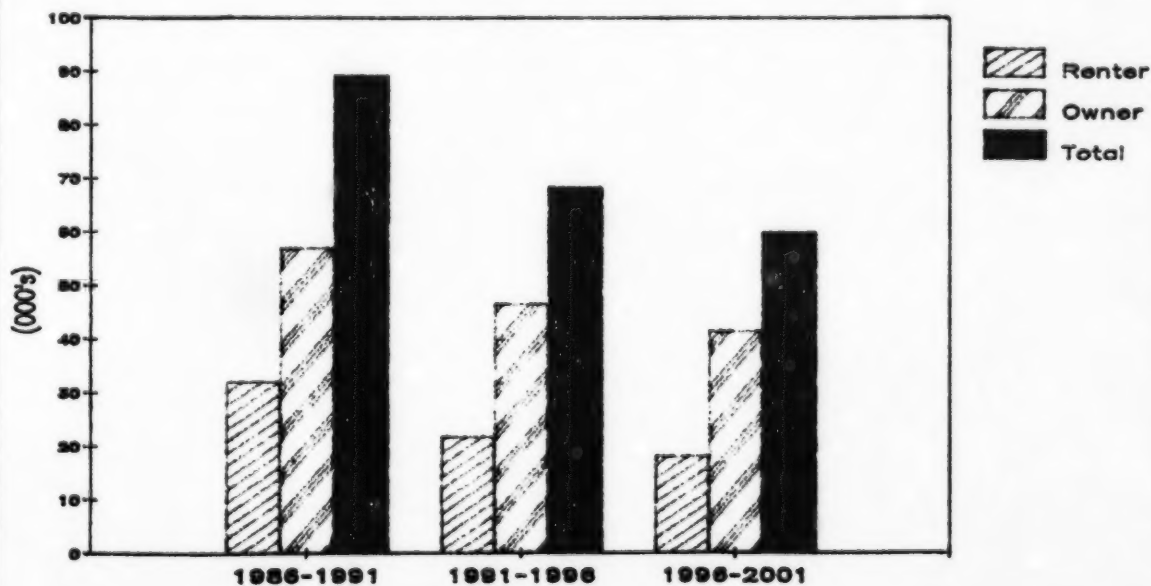
* Note: Requirements are not equivalent to "housing starts". The requirements cited here (89,400 annually for 1986-1991) are about 10 per cent less than what "starts" have been over the past several years. The higher production is also addressing unmet demand that occurred in the period 1981-1986.

CHART 5
Household Growth in Ontario
Per Cent Change from Previous Five Years



Source: Statistics Canada Census, Treasury and Economics

CHART 6
Average Annual Housing Requirements, 1986 - 2001
By Tenure and Period



Source: Ministry of Housing

Requirements decline after 1996

- Housing requirements decline in successive five-year periods. By the year 2001, they average 60,000 per year consisting of approximately 18,300 rental units and 41,600 ownership units.
- While requirements for both tenure types decline in absolute terms, there is a shift from rental to ownership units. Largely reflecting the population age structure, by 2001, ownership units will represent nearly 70 per cent of all requirements. In part, this shift is likely to be driven by lifestyle choices and the relative affordability of condominiums compared to other forms of ownership housing. As well, more seniors in single-family homes are likely to remain in the ownership sector by purchasing condominiums.
- Over the period 1986 to 2001, total housing requirements are projected to average 72,500 units per year. Of these, approximately one-third (24,000 units) will be rental housing, and two-thirds (48,500 units) ownership.

SECTION III: Estimation of Deferred Demand

Deferred demand not included in projections (See Background Notes)

- Another component of housing requirements for the 1986-2001 period is the quantity required to meet any demand deferred from an earlier period.
- One recent estimate places the extent of deferred demand as of June 1st 1986 at approximately 57,000 households (28,000 renter and 29,000 owner households). It consists of an estimate to 1986 of the number of households that would have formed (based on 1981 headship rates) had market conditions remained as they were in 1981. **These requirements can only be approximate as many factors influence the rate of household formation.**
- Most of the deferred demand is in the 15-24 and 25-44 age-groups.
- Based on the assumption that a 3 per cent vacancy rate is necessary to facilitate consumer choice and mobility, an additional 35,000 rental units would have been required as of June 1st 1986.
- Clearly, the inclusion of requirements to meet deferred demand and a 3 per cent vacancy rate as of 1986 would raise total requirements.

LIST OF TABLES

1. Total housing requirements, Ontario, 1986-2001
2. Rental housing requirements, Ontario, 1986-2001
3. Ownership housing requirements, Ontario, 1986-2001

Table 1

Total Housing Requirements*
Ontario, 1986-2001

1. Total Housing Requirements (1986-1991)

Total household growth	424,800	
Net replacement demand	17,700	
3% rental vacancy allowance**	<u>4,500</u>	
		447,000

2. Total Housing Requirements (1991-1996)

Total household growth	321,400	
Net replacement demand	17,800	
3% rental vacancy allowance	<u>3,000</u>	
		342,200

3. Total Housing Requirements (1996-2001)

Total household growth	279,500	
Net replacement demand	18,000	
3% rental vacancy allowance	<u>2,500</u>	
		<u>300,000</u>

TOTAL HOUSING REQUIREMENTS (1986-2001)

1,089,200
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AVERAGE ANNUAL TOTAL HOUSING REQUIREMENTS

1986-1991	89,400
1991-1996	68,450
1996-2001	60,000
<u>1986-2001</u>	<u>72,500</u>

* Based on revised population projections by Ministry of Treasury and Economics.

** Number of rental units needed to maintain 3% vacancy rate.

Table 2

**Rental Market Housing Requirements
Ontario, 1986-2001**

1. Rental Housing Requirements (1986-1991)

Rental household growth	150,300	
Net replacement demand	6,450	
3% rental vacancy allowance	<u>4,500</u>	161,250

2. Rental Housing Requirements (1991-1996)

Rental household growth	99,500	
Net replacement demand	6,500	
3% rental vacancy allowance	<u>3,000</u>	109,000

3. Rental Housing Requirements (1996-2001)

Rental household growth	82,400	
Net replacement demand	6,500	
3% rental vacancy allowance	<u>2,500</u>	<u>91,400</u>

TOTAL RENTAL HOUSING REQUIREMENTS (1986-2001)	361,600	=====
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AVERAGE ANNUAL TOTAL RENTAL HOUSING REQUIREMENTS

1986-1991	32,200
1991-1996	21,800
1996-2001	18,300
<u>1986-2001</u>	<u>24,000</u>

Table 3

**Ownership Market Housing Requirements
Ontario, 1986-2001**

1. Ownership Housing Requirements (1986-1991)

Ownership household growth	274,400	
Net replacement demand	<u>11,300</u>	285,700

2. Ownership Housing Requirements (1991-1996)

Ownership household growth	221,900	
Net replacement demand	<u>11,350</u>	233,250

3. Ownership Housing Requirements (1996-2001)

Ownership household growth	196,550	
Net replacement demand	<u>11,450</u>	<u>208,000</u>

TOTAL OWNERSHIP HOUSING REQUIREMENTS (1986-2001)	726,950	=====
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AVERAGE ANNUAL TOTAL OWNERSHIP HOUSING REQUIREMENTS

1986-1991	57,100
1991-1996	46,600
1996-2001	41,600
<u>1986-2001</u>	<u>48,500</u>

Background Notes

Housing Requirements

- The housing requirements in this study are based on projections of household growth. These, in turn, are based on February 1989 revised Ministry of Treasury and Economics population projections, and the Ministry of Housing's headship rate assumptions.
- The housing requirement projections in this study focus on those driven by population and household growth (including small components for housing replacement and vacancy rate allowances during the study period). They do not include an estimate of deferred demand or an estimate of the vacancy rate allowance as of June 1st 1986 (as discussed in Section III).

Population Projections

- The population projection in this study follows Treasury and Economic's reference scenario. The reference scenario is the "most likely" projection of Ontario's population and is based on "medium" assumptions about fertility, mortality and migration.
- The population projection assumes that fertility will remain constant at its current level (1.68 births per woman); that mortality rates will continue their gradual decline (male life expectancy at birth will increase from 73.5 years in 1986 to 78.3 years in 2011; female life expectancy at birth will rise from 79.1 years in 1986 to 84.5 years in 2011); that net migration to Ontario will remain fairly high until the early 1990's, and will stabilize in 1996 at about 48,000 per year.

Headship Rate Projections

- The headship rate projections in this study are essentially the same ones used in the September 1988 Interim Report on Housing Requirement Projections.
- Male headship rates, for the most part, are expected to increase only very slightly over the study period. Female headship rates, on the other hand, are expected to increase substantially to reflect changing social patterns such as the rise in single person households, and increasing female participation rate in the workforce.